

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 GSA-01 /090 W

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P 051921Z OCT 76

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC PRIORITY 2677

C O N F I D E N T I A L KINGSTON 4317

E.O. 11652: GDS

TAGS: EMIN, JM

SUBJECT: ALCOA/GOJ AGREEMENT

1. SEPTTEL ADVISES THAT ALCOA/GOJ AGREEMENT WILL BE SIGNED OCT 6. ALCOA JAMAICA MANAGER PAUL CROUCH HAS PROVIDED TO CHARGE CONTINGENCY PRESS GUIDANCE PREPARED FOR ALCOA BOARD CHAIRMAN KROME GEORGE. THE GUIDANCE, IN FORM OF POSSIBLE QUESTIONS AND ANSWERS, IS FOR USE AT PRESS CONFERENCE SCHEDULED TO FOLLOW SIGNING CEREMONY. SINCE GUIDANCE PROVIDES INTERESTING INSIGHTS INTO VARIOUS ASPECTS AGREEMENT, FULL TEXT PROVIDED BELOW.

2. BEGIN TEXT: Q: IS THERE A PROVISION FOR ARBITRATION OF THE DIFFERENCES? A: THE AGREEMENTS ARE LARGELY SELF ADJUSTING, AND FRANKLY WE DON'T FEEL THERE WILL BE A PROBLEM REQUIRING SUCH ARBITRATION.

MATERS DEALING WITH LAND AND MINING LEASES WILL BE SETTLED IN THE JAMAICAN COURT SYSTEM.

HOWEVER, THERE IS A JOINTLY NEGOTIATED PROVISION IN THE AGREEMENT FOR SETTLEMENT OF CERTAIN KINDS OF DISPUTES, SUCH AS TAXES AND EXCHANGE CONTROL, THROUGH MEANS OF PRIVATE INTERNATIONAL ARBITRATION (NOT ICSID).

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3. Q: HAVE YOU WITHDRAWN YOUR CASE FROM ICSID?

A: THE AGREEMENT DOESN'T ENTER INTO EFFECT UNTIL JAMAICAN LEGISLATION IS ENACTED. AT THAT TIME THE QUESTION BEFORE ICSID WILL BECOME MOOT, AND WE WILL TOTALLY WITHDRAW OUR CASE.

4. Q: HOW WILL JAMAICA PAY FOR ITS SHARE OF FACILITIES AND FOR MINING LANDS?

A: IN SEVERAL DIFFERENT WAYS.

1) FOR 6 PERCENT OF OPERATING FACILITIES AND LANDS: THE REFINERY, SHIPPING PORT, EQUIPMENT, BUILDINGS AND NECESSARY LANDS TO SUPPORT PRODUCTION.

-10 PERCENT DOWN, REMAINDER IN NINE EQUAL PAYMENTS OVER NINE YEARS AT 8 1/2 PERCENT INTEREST.

2) FOR NON-OPERATING LANDS: LANDS IN MANCHESTER PARISH OUTSIDE OF THE BAUXITE RESERVE AREAS AND MINED OUT PROPERTIES.

-10 PERCENT DOWN, REMAINDER IN NINE EQUAL PAYMENTS OVER NINE YEARS AT 7 PERCENT INTEREST.

3) FOR MINING LANDS: LANDS CURRENTLY BEING MINED OR THOSE COVERED UNDER A 5 YEAR MINING LEASE.

PROMISSORY NOTES WILL BE ISSUED TO ALCOA FOR INDIVIDUAL PARCELS OF LAND. UNDER TERMS OF THE AGREEMENT, ALCOA CAN REDEEM EACH NOTE, FOLLOWING COMPLETION OF THE MINING AND RESTORATION OF THE PARCELS, FOR AN AMOUNT REPRESENTING THE APPRAISED RESIDUAL VALUE OF THE PROPERTIES, A VALUE NOT TO EXCEED THE ORIGINAL ACQUISITION COST.

5. Q: DO YOU HAVE EXPANSION PLANS FOR JAMAICA?

A: WE HAVE SUFFICIENT OPERATING CAPACITY FOR OUR NEEDS AT THIS TIME. OUR NEED NOW IN JAMAICA IS TO RETURN THE ALUMINA REFINERY TO FULL OPERATING CONDITION. AS LONG AS IT IS DOWN IT IS NOT CONTRIBUTING ITS POTENTIAL TO THE JAMAICAN ECONOMY AND IT IS TYING UP OUR CAPITAL IN NON-PRODUCTIVE FACILITIES.

WHEN A REQUIREMENT FOR ADDITIONAL ALUMINA CAPACITY IS ESTABLISHED, WE WILL CERTAINLY CON-

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SIDER JAMAICA ALONG WITH OTHER ALTERNATIVES.

HOWEVER, AS MENTIONED IN THE RELEASE, THE AGREEMENT PROVIDES FOR UNILATERAL EXPANSION BY EITHER PARTY.

6. Q: WHY IS THIS 40-YEAR AGREEMENT ANY BETTER THAN YOUR LAST AGREEMENT?

A: THE AGREEMENT WE HAD PREVIOUSLY WAS A

GOOD ONE FOR THE TIME. BUT TIMES CHANGE. THIS AGREEMENT OFFERS SOMETHING TO BOTH SIDES. IT WAS THE RESULT OF NEGOTIATION AND RESPONDS TO TODAY'S NEEDS, BOTH FOR JAMAICA ANF FOR ALCOA.

7. Q: THE AGREEMENT MAY BE FINE, BUT AREN'T YOU CONCERNED ABOUT THE VIOLENCE-DIDN'T THAT GIVE YOU SOME PAUSE AS YOU NEGOTIATED THE AGREEMENT?

A: EARLY THIS YEAR OUR OPERATION WAS CLOSED DOWN BECAUSE OF VIOLENCE. HOWEVER, THE GOVERNMENT HAS RESPONDED WELL TO OUR CONCERS. FOLLOWING PROBLEMS AT OUR PLANT, A POLICE POST WAS ESTABLISHED TO PROVIDE BOTH AN OFFICIAL PRESENCE AND IMMEDIATE RESPONSE TO ANY FURTHER PROBLEMS. THERE HAVE BEEN NONE. THOSE INVOLVED IN VIOLENCE AT OUR PLANT ARE BEING DEALT WITH.

SEVERAL MONTHS AGO THE GOVERNMENT INSTITUTED EMERGENCY MEASURES TO DEAL WITH VIOLENCE IN THE POORER AREAS OF KINGSTON AND ACCORDING TO REPORTS, VIOLENCE HAS BEEN GREATLY REDUCED. IT WAS NEVER WIDESPREAD. RATHER IT WAS CONFINED TO CERTAIN AREAS IN KINGSTON.

8. Q: WHAT DOES 51 PERCENT RELATE TO?

A: MINING ASSETS INCLUDING LANDS, EQUIPMENT AND PARTS OF THE INFRASTRUCTURE SUPPORTING THE MINING OPERATION.

9. Q: DOES THAT INCLUDE THE ROCKY POINT FACILITY?

A: ROCKY POINT IS A SHIPPING FACILITY, NOT MINING.

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10. Q: HOW MUCH LAND IS INVOLVED IN THE BUY-BACK OF MINING AND NON-OPERATING LANDS AND HOW MUCH WILL THIS COST THE GOVERNMENT:

A: APPROXIMATELY 7000 ACRES. THIS WILL COST BETWEEN 2 AND 2.5 MILLION DOLLARS.

11. Q: HOW SOON IS THE BUY-BACK OF LANDS EFFECTIVE?

A: AS SOON AS ENABLING LEGISLATION IS PASSED.

12. Q: HOW MUCH LAND WILL MAJALCO OWN?

A: THE MEMBERS OF THE VENTURE WILL OWN ABOUT 5000 ACRES.

13. Q: HOW SOON IS THE PARTICIPATION IN THE MINING

AND REFINING OPERATION EFFECTIVE?

A: AS SOON AS THE ENABLING LEGISLATION IS
PASSED AND THE OPERATION RETURNS TO FULL OPERATING
CONDITION. END TEXT.
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